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CHINA-JAPAN

In its first public acknowledgement of Japan's cabinet changes, Peking on Tuesday reported Takeo Miki's election as prime minister, calling attention to his statement that Japan would "persistently adhere" to friendly relations with China.

The Chinese announcement also quoted the new Prime Minister's reference to the restoration of Sino-Japanese diplomatic ties during the Tanaka regime as a "great achievement." The announcement provided no explanation for Tanaka's decision to resign.

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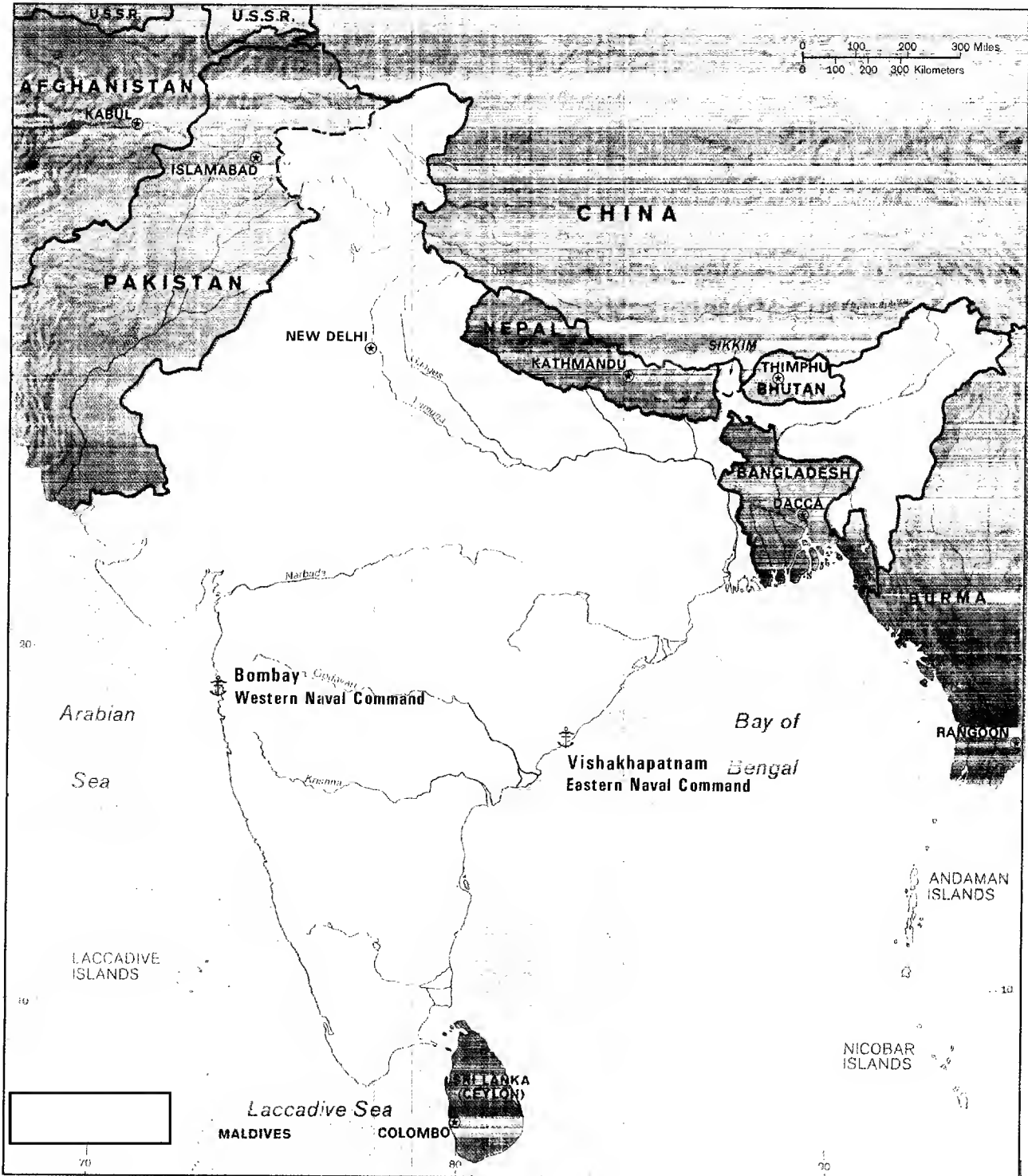
Although Miki has been a leading proponent of close Japanese ties with Peking, the Chinese have privately expressed concern about the prospects for continuing improvement in relations between the two countries with Miki occupying the top post in Tokyo.

Peking was undoubtedly disappointed by the fall of Tanaka, whom it regarded as "a friend of China," but the Chinese will adopt a wait-and-see attitude toward Miki. The first test could come soon when they sit down with Japanese representatives to begin formal negotiations on a long-awaited peace and friendship treaty. Preliminary discussions have already been held and both sides have publicly called for agreement on the pact.

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INDIA

The navy's diesel attack F-class submarine fleet is being realigned to reflect new acquisitions, tasking, and maintenance programs. This will probably result in a balanced deployment of four F-class units to both the east and west coasts and give the surface fleet at Bombay a greater capability for operations and training in anti-submarine warfare.

There are currently two F-class submarines assigned to Bombay. Another--the newest acquisition--will probably make a port call in Mauritius on its way to Bombay. Still another, which is yet to be delivered, will likely be assigned to the Western Naval Command at Bombay, for a total of four operating from the west coast.

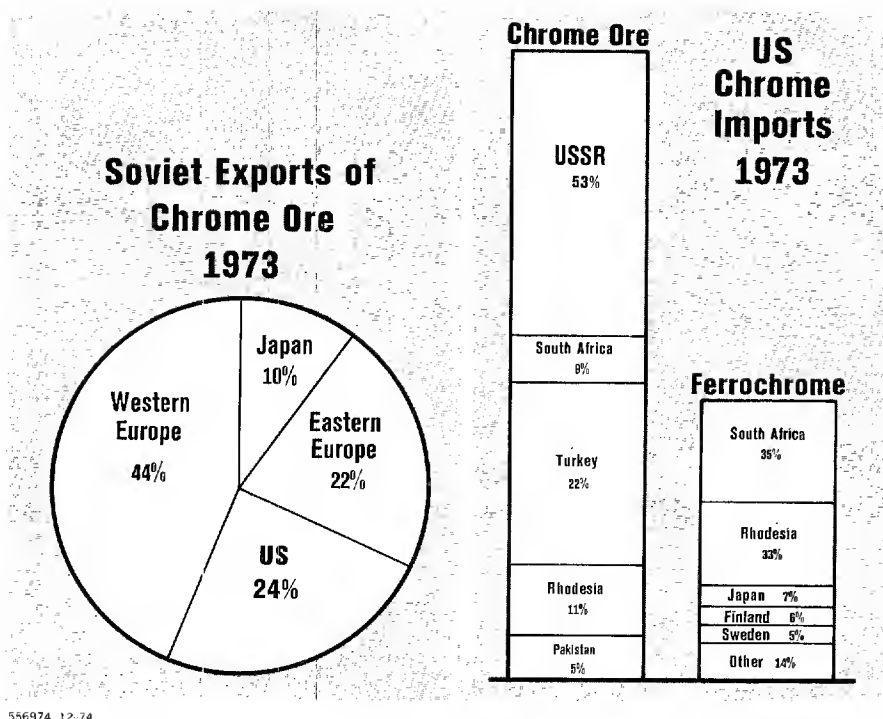
The US defense attaché office reports that the navy's only submarine tender has been transferred to Bombay, shifting the at-sea support capability of the submarine fleet to the Arabian Sea.

The Eastern Naval Command at Vishakhapatnam already has a squadron of four F-class submarines. One recently made a port call in Hong Kong and will visit Kobe, Japan, on its way to Vladivostok for overhauling. An Indian crew with extra engineering personnel will assist in this work and thus gain experience for the future.

Submarine overhauls will ultimately take place at Vishakhapatnam in a submarine support facility now under construction with Soviet technical assistance. This construction is reported to be running behind schedule and is not expected to be completed before 1980. India may therefore send two more F-class submarines to the Soviet Union for overhaul before the facility is completed.

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USSR

Moscow plans to phase out exports of high-grade chrome ore by the end of 1980. The Soviet Union is the world's largest exporter of high-grade chrome ore; it supplies more than half of US imports. The ore is used in making ferrochrome, which is essential to the production of stainless steel.

A member of the State Committee for Science and Technology has informed the US that Moscow plans to consume its entire production of high-grade chrome ore in the domestic production of ferrochrome. The USSR is negotiating with US, West European, and Japanese firms for the construction of ferrochrome plants in the USSR, with repayment to be made in ferrochrome exports. If negotiations are concluded, the USSR will become the largest ferrochrome producer in the world.

The USSR, which now exports high-grade ore exclusively, will be following the lead of other major chrome ore mining nations--Rhodesia, South Africa, and Turkey--which have expanded their domestic ferrochrome industries and have reduced exports of ore. Rhodesia and South Africa have the potential for rapid expansion of their production of ferrochrome. Most industrialized countries, including the US, are relying increasingly on ferrochrome imports to meet the needs of their stainless steel industries. US imports of ferrochrome have more than tripled in the last three years and now supply about one third of US requirements, while imports of ore have declined by 46 percent.

Ferrochrome plants consume great quantities of energy, and this fact combined with costly environmental controls has made the future of the US industry uncertain. The phasing out of Soviet exports of ore may hasten the demise of the US ferrochrome industry, but the emergence of the USSR as an exporter of ferrochrome presumably will provide adequate supplies of ferrochrome for US consumption.

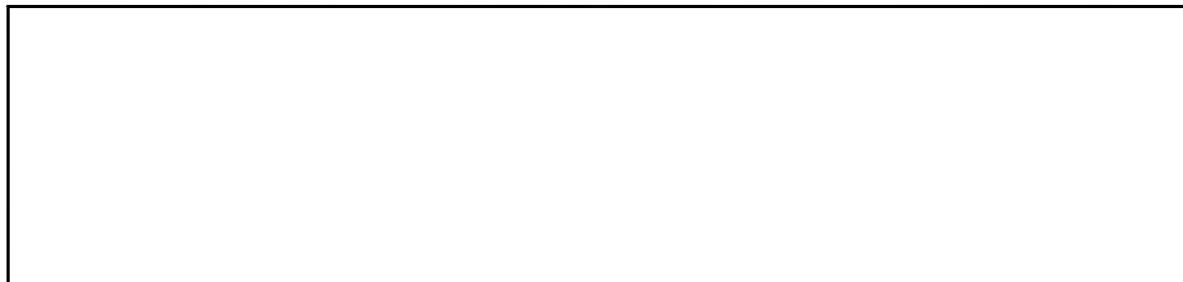
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BURMA

The Burmese government has declared martial law and has moved additional troops and tanks into downtown Rangoon in an effort to end student-initiated disorders that began over the government's arrangements for U Thant's funeral. Authorities have also arrested some 2,800 students and Buddhist monks in connection with the disturbances.

Martial law was put into effect following scattered outbreaks of violence in Rangoon yesterday by mobs not entirely limited to students. Troops fired on some of the demonstrators, but there are no reliable casualty figures.

The government probably can weather the immediate crisis as long as the army remains loyal. There is no apparent civilian alternative to President Ne Win and his military colleagues who control the government, and thus far there is no sign of disaffection among the troops.



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PHILIPPINES

President Marcos is taking steps to unravel the knotty problem of political prisoners held under martial law. The issue has produced sharp criticism at home, particularly from the Catholic Church, and has given his regime a bad press abroad.

Pressure on Marcos over continued detention of political opponents without trial has been increasing in recent months. Two of the most famous prisoners, former newspaper editor Eugenio Lopez and Sergio Osmena, son of a prominent Filipino politician, conducted a well-publicized hunger strike in November, and the Manila archbishop publicly accused the government of torturing prisoners. Both events attracted widespread attention from foreign officials and journalists. Marcos was disturbed at the foreign reaction and the accompanying allegations that his regime is repressive. He feared this could adversely affect foreign investment and assistance.

In a television address on December 11, Marcos announced the release of over half of almost 1,200 prisoners classified as political detainees. Lopez and Osmena will be released to a hospital and will subsequently be tried in civilian courts on charges of conspiracy to assassinate Marcos in 1972. Marcos said that the government intended to relax the "rigid exercise of authority," and appealed for national unity.

Releasing the detainees will be a popular move; it fits in with Marcos' reported plans to hold another national referendum in January that will rally support for his regime. A public trial of Lopez and Osmena, however, could provide a forum for criticism of the government and negate any appearance of national consensus.

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RHODESIA

Prime Minister Smith announced late yesterday that the insurgents who have been conducting terrorist operations inside Rhodesia have agreed to an immediate cease-fire. In return, Smith has agreed to release all black nationalists, some of whom have been detained for ten years.

Smith also said that a conference for negotiating a constitutional settlement would soon be convened. He implied that the nationalist leaders who met in Lusaka last week to formulate a common bargaining position have agreed to participate in the constitutional conference.

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Last Saturday, Smith announced an impasse in the negotiations. According to Smith, his envoys in Lusaka were told that the Rhodesian nationalists would not accept a truce unless he agreed to immediate majority rule. There are indications, however, that the Rhodesian nationalists meeting in Lusaka did not actually make this demand.

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Smith may have hoped that his disclosure of an allegedly extreme demand on the part of the black nationalists would soften South African Prime Minister Vorster's earlier demand that he negotiate a compromise settlement or forfeit South African support. It now seems more likely that Vorster has pressured Smith to grant amnesty to the Rhodesian insurgents in return for a cease-fire.

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It will be difficult to make such an agreement stick, because of past feuding among the insurgents and the heightening of interracial tensions since the onset of terrorism two years ago. It may be even more difficult to reach an agreement for a transition to majority rule, unless Vorster and the three African presidents who sponsored the Lusaka talks maintain concerted pressures on Smith and the black nationalists.

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USSR - Guinea-Bissau: Soviet General Dagayev, a Ministry of Defense official responsible for foreign military aid programs, reportedly led an official delegation to Guinea-Bissau in November. The purpose of Dagayev's visit probably was to assess the military needs of the newly established government. A military aid agreement may be signed in the future. It is likely that the Soviets would sign such an agreement, because prior to the independence of Guinea-Bissau, they were the major arms supplier to the national liberation movement.

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South Vietnam: The flurry of sharp Communist attacks that began late last week in the southern delta provinces has spread to the northern delta and to several areas around Saigon. Most of the ground attacks have been conducted by local force units, supported by shellings and sapper attacks against bridges and highways. In one of the most severely threatened areas, elements of the Communist 5th Division have isolated several district towns in a delta province bordering Cambodia, but the government is taking steps to counter the incursion. South Vietnamese territorial forces have performed well, leaving their regular units available for commitment at a later date.

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USSR: The Soviets are preparing for an extended-range missile test in the Pacific. Moscow announced yesterday that sea and air traffic should stay clear of two areas north of Midway Island through December 30. Soviet ICBMs fired from the Plesetsk and Tyuratam test centers normally land on Kamchatka, 3,100 or 3,400 nautical miles away. By launching to the Pacific, the Soviets extend the range to over 4,000 nautical miles.

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The SS-X-16 is considered to be the best candidate for the extended-range tests.

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OPEC: The oil ministers of the Organization of Petroleum Exporting Countries convene today in Vienna. The session--expected to last at least two days--probably will concentrate on pricing policy. It could formalize increases of about 50 cents a barrel adopted at a recent meeting in Abu Dhabi of Persian Gulf producers. An effort will probably be made to link the price of oil to inflation in general or to the prices of selected commodities. The members have made no decision on Algeria's proposal for a meeting of OPEC foreign and oil ministers in Algiers on January 8 to draft an agenda for a later conference of OPEC chiefs of state.

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Norway: Prime Minister Bratteli's minority Labor government faces a major hurdle tomorrow when its proposal to purchase the controlling interest in a Canadian-owned aluminum firm comes to a vote. Bratteli is caught in a cross-fire between the leftist Socialist Electoral Alliance, which wants the government to nationalize the aluminum plant, and the nonsocialist parties, which want the government to hold out for more favorable terms. The controversy is the latest of a number of frustrations that have recently beset Bratteli, who has been miffed by the continuing attacks on Labor's legislative program. He has said that he is prepared to resign rather than allow his legislative program to be blocked by attacks from the left and the right.

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